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COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, MAY 9, 2002

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

CASE NO. PUE-2000-00736

Ex Parte: The Potomac
Edison Company d/b/a
Allegheny Power-Regional
Transmission Entities

ORDER ESTABLISHING PROCEDURAL
SCHEDULES FOR SUPPLEMENTAL FILINGS

The Potomac Edison Company d/b/a/ Allegheny Power Company ("AP" or "the Company") filed an application with the State Corporation Commission ("Commission") in Case No. PUE-2000-00280 on October 16, 2000. This application requested that the Commission accept AP's October 5, 2000, Memorandum of Agreement ("MOA") with the PJM Interconnection, L.L.C. ("PJM"), an independent system operator ("ISO"), under an arrangement known as "PJM West," as satisfying the Company's obligation under §§ 56-577 and 56-579 of the Virginia Electric Utility

Effective April 9, 2002, the new Case Management System requires that the case number format for all Commission orders change from, e.g., PUE010663 to the following: PUE-2001-00663.

Restructuring Act¹ to join or establish a regional transmission entity ("RTE") no later than January 1, 2001.

On December 20, 2000, the Commission entered an Order establishing Case No. PUE-2000-00736 for the purpose of considering the matters set out in the October 16, 2000, application. That Order also established a procedural schedule for the application. In a subsequent Order issued on July 12, 2001, the Commission granted AP authority to file the application and information required by Rule 20 VAC 5-320-90 of the Commission's Regulations Governing Transfer of Transmission Assets to Regional Transmission Assets to Regional Transmission Entities (20 VAC 5-320-10 et seq.) ("RTE Rules") on or before July 25, 2001.

On July 25, 2001, AP, by counsel, filed the information required by Rule 20 VAC 5-320-90 as part of an application to transfer control, ownership, or responsibility for its transmission facilities to PJM under an arrangement known as "PJM West." In its application, the Company noted that on July 12, 2001, the Federal Energy Regulatory Commission ("FERC") issued an Order accepting the PJM West arrangement subject to various conditions, required a compliance filing within 60 days, and required AP and other participants to take part in a 45-day

¹ Virginia Electric Utility Restructuring Act, Chapter 23 (§ 56-576 et seq.) of Title 56 of the Code of Virginia ("Restructuring Act").

mediation process designed ultimately to achieve the creation of a single Regional Transmission Organization ("RTO") for the entire Northeast region consisting of the PJM and PJM West region, as well as the New York and New England ISO regions.

AP reiterated in its July 25, 2001, application that its present intent was to continue with the PJM West arrangement unless unexpected developments occurred regarding rate revenue recovery issues or in the mediation process regarding the creation of a Northeast Regional Transmission Organization. AP represented that to the extent future developments at FERC in any material way alter AP's plans to participate in PJM West, the Company would advise the Commission by updating and supplementing its application.

On August 16, 2001, the Commission issued an Order Prescribing Notice and Inviting Comments and/or Requests for Hearing that established a procedural schedule for this matter.

On October 26, 2001, Staff filed its report herein. That report supported AP's application and its membership in PJM West. However, the Staff noted that it was unknown what would occur as a result of the FERC-ordered mediation involving PJM, AP, the New York Independent System Operator, and ISO New England. The Staff, therefore, recommended that the Commission either delay acting on, or grant only conditional approval of, Allegheny's request to transfer management and control of its

transmission facilities in order to permit Staff to review any FERC order in the Northeast RTO proceeding.

On November 8, 2001, the Division of Consumer Counsel, Office of the Attorney General filed a letter in support of the Staff report with the Commission. Further, in a letter response dated November 8, 2001, the Company, by counsel, also noted its general agreement with the Staff's recommendations.

Since the Staff report and the responses thereto have been filed, PJM and AP (the energy delivery business of Allegheny Energy, Inc.) have submitted a compliance filing to FERC. On January 30, 2002, FERC issued an Order on the compliance filing that, among other things, permitted Allegheny and PJM to form PJM West, effective March 1, 2002, as requested by Allegheny Power and PJM. See PJM Interconnection, L.L.C. and Allegheny Power, Docket No. RT01-98-002, 98 FERC ¶ 61,072.

Much has occurred regarding the development and implementation of PJM West. These developments may have affected the accuracy and completeness of the information included in AP's application. Consequently, the Commission believes that in order to conduct a proper review of AP's application, it is appropriate for the Company to update the information included therein.

NOW UPON CONSIDERATION of the foregoing, the Commission is of the opinion and finds that the Company shall file detailed

information about any further developments relevant to its application; that the Staff shall further investigate the application as it may be updated and shall file a supplemental report, describing and analyzing any necessary developments that are relevant to our consideration of AP's application; and that the Company and interested parties should be permitted to file further responses to the Staff's supplemental report.

Accordingly, IT IS ORDERED THAT:

(1) On or before June 18, 2002, AP shall file with the Clerk of the Commission and the persons on the Official Service List herein all information necessary to update the Company's application, including detailed information about further developments relevant to that application.

(2) On or before July 12, 2002, the Commission Staff shall review the application as updated and shall file with the Commission a supplemental report detailing the results of its investigation. A copy of the Staff's supplemental report shall be served promptly on counsel for the Company and on the persons on the Official Service List herein.

(3) On or before August 2, 2002, AP and any interested person may file with the Clerk of the Commission an original and fifteen (15) copies of any response to Staff's supplemental report. A copy of said response shall be served on or before August 2, 2002, on counsel for the Company, Philip J. Bray,

Esquire, Allegheny Power, 10435 Downsville Pike, Hagerstown, Maryland 21740-1766; counsel for the Commission Staff; and all persons on the Official Service List herein. Service upon counsel for the Commission Staff shall be made upon Sherry H. Bridewell, Senior Counsel, Office of General Counsel, State Corporation Commission, P. O. Box 1197, Richmond, Virginia 23218.